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Note on AD/SI's copy:
Bud: [redacted] (x6405) stands ready to work with your people in determining the nature and extent of a contribution from us.

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SC 12488/62

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15 JAN 1963

MEMORANDUM FOR: Deputy Director (Intelligence)

ATTENTION: [redacted] 25X1

SUBJECT: OER Activities Relating to Communist Chinese Advanced Weapons Systems

REFERENCE: Action Memorandum A-161, from the Executive Director to the Deputy Directors, dated 11 January 1963

1. The following material is being submitted to you in response to Mr. Sheldon's request of yesterday. Paragraphs 4 and 5 relate directly to the status of our exploitation of information and of our requirements on the subject.

2. The results of OER research are, we believe, adequately reflected in the latest draft of SNIE 13-6-62, "Communist China's Nuclear Weapons Program," dated 14 December 1962 (TS). (It is understood that this estimate is in a state of suspension.) During the past year, we have revised downward our estimates of Chinese economic capabilities. Our current views on the economic elements important to the success of the advanced weapons program (Soviet aid, Chinese capabilities, and economic priorities) are summarized below:

a. Soviet technical assistance since 1960 seems to have been very small. The few Soviet scientists and technicians still noted in China appear to have been there to serve Soviet, not just Chinese, interests. Technical assistance embodied in Soviet machinery shipped to China also is less important than we had thought. USSR published trade data now indicates that it exported only about $100 million worth of machinery to China in 1961, which compares with our previous estimate of about $300 million.

b. Independent Chicom technological capabilities seem to have been overrated. Whereas in 1960-61, we estimated that the Chinese independently could, with little difficulty, operate existing industries, complete the simpler construction projects abandoned by Soviet technicians in the mid-1960 months, and maintain complex military equipment. Persistent reports of difficulties in all these areas during 1962 have had a cumulative effect in persuading us that we had overestimated Chicom industrial capabilities.

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c. Except for ambiguous official pronouncements, there is little factual evidence on the economic priority given to the nuclear weapons program, i.e., whether it is all-out or merely high. To some extent, investment in industries supporting this program must compete for scarce resources with investment in industries supporting agriculture. About all we can say is that the military program almost certainly would have the edge, but that the regime also accords enough importance to agriculture to give it some development resources that might otherwise be used for the military program.

3. ONE has completed considerable research bearing on the Chinese potential to develop a nuclear weapons capability. See Annex A for a listing of the more pertinent reports. Much ONE research and analysis on these matters has been presented informally: at meetings of ONE, GMAIC, JAEIC, and State's Policy and Planning Staff; and in contributions to research and current intelligence published by OCI and the NIE/I Research Staff. In addition, relevant background material is contained in NIE 13-4/1-62, "Prospects for Communist China," dated June 1962 (S), which has an economic annex prepared by ONE.

4. We have exploited all sources of information available to us, including all [redacted] photography relevant to the problem. We plan to continue to exploit [redacted] material as it becomes available. It is the only reliable source material available in any quantity and a continuation of this program, intensified in scope, is critical to all phases of intelligence research with respect to a nuclear weapons program in Communist China. We will also undertake

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5. We have a number of requirements outstanding against this problem. These include the revision of the IPC list in 1962 with specific reference to requirements against the Chinese Communist nuclear energy program. Also included in the April 1962 Collection Handbook on Communist China are detailed requirements, which are still current and represent priority need, against the nuclear industry, guided missiles, electric power, electronics, aircraft production, chemical equipment, and investment policies and plans, all of which are important to advanced weapons capabilities and plans. We have updated the missile and aircraft requirements

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within the past two months, and are actively working on the production and deployment aspects of the advanced weapons problem at all times.

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OTTO E. [redacted]
Assistant Director
Research and Reports

Enclosure
Annex A

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